

Keuning & Associates PC

112 E 3rd St
West Liberty, IA 52776
(319) 627-4727

Invoice No. 70800
October 15, 2007

FEDERAL FORMS

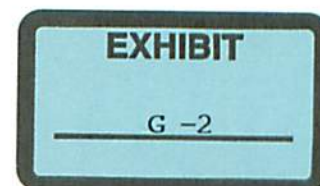
Form 1120S	2006 U.S. S Corporation Income Tax Return
Schedule K-1	Shareholder's Income, Deductions, Credits, etc
Form 4562	Depreciation and Amortization
Form 7004	Automatic Extension of Time to File
Form 8825	Rental Real Estate Income and Expenses
	Depreciation Schedules
Basis Sch	Shareholders' Basis Computation

IOWA FORMS

Form IA-1120S	2006 Iowa S Corporation Income Tax Return
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FEE SUMMARY

Preparation Fee	\$ 150.00
Amount Due	\$ 150.00



KEUNING & ASSOCIATES PC
112 E 3RD ST
WEST LIBERTY, IA 52776
(319) 627-4727

October 15, 2007

Dear Client:

Enclosed is your 2006 Federal S Corporation Income Tax Return. The original should be signed at the bottom of page one. No tax is payable with the filing of this return. Mail the Federal return ~~on or before September 17, 2007~~ to:
as soon as possible

INTERNAL REVENUE SERVICE
OGDEN, UT 84201-0013

Enclosed is your 2006 Iowa S Corporation Income Tax Return. The original should be signed at the bottom of the form. No tax is payable with the filing of this return. Mail the Iowa return on or before October 31, 2007 to:

CORPORATION TAX RETURN PROCESSING
IOWA DEPARTMENT OF REVENUE
P.O. BOX 10468
DES MOINES, IA 50306-0468

You must distribute a copy of the 2006 Schedule K-1 to each shareholder. Be sure to give each shareholder a copy of the Shareholder's Instructions for Schedule K-1 (Form 1120S).

Please call if you have any questions.

Sincerely,



Joan Keuning

2006 S-Corporation Return
prepared for:

Keuning & Associates PC
112 E 3rd St
West Liberty, IA 52776

KEUNING & ASSOCIATES PC
112 E 3RD ST
WEST LIBERTY, IA 52776
(319) 627-4727

October 15, 2007

R & R Apartments Inc

Dear Client:

Enclosed is your 2006 Federal S Corporation Income Tax Return. The original should be signed at the bottom of page one. No tax is payable with the filing of this return. Mail the Federal return on or before September 17, 2007 to:

INTERNAL REVENUE SERVICE
OGDEN, UT 84201-0013

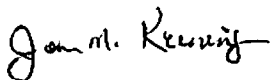
Enclosed is your 2006 Iowa S Corporation Income Tax Return. The original should be signed at the bottom of the form. No tax is payable with the filing of this return. Mail the Iowa return on or before October 31, 2007 to:

CORPORATION TAX RETURN PROCESSING
IOWA DEPARTMENT OF REVENUE
P.O. BOX 10468
DES MOINES, IA 50306-0468

You must distribute a copy of the 2006 Schedule K-1 to each shareholder. Be sure to give each shareholder a copy of the Shareholder's Instructions for Schedule K-1 (Form 1120S).

Please call if you have any questions.

Sincerely,



Joan Keuning

Form **1120S**Department of the Treasury
Internal Revenue Service**U.S. Income Tax Return for an S Corporation**

▶ Do not file this form unless the corporation has filed Form 2553 to elect to be an S corporation.
▶ See separate instructions.

OMB No. 1545-0130

2006

For calendar year 2006 or tax year beginning , 2006, ending ,

Effective date of S selection 9/01/2005	Use the IRS label. Otherwise, print or type. R & R Apartments Inc 2141 Highway 6 Atalissa, IA 52720	C Employer identification number
		D Date incorporated 9/01/2005
B Business activity code number (see instructions) 233110		E Total assets (see instructions) \$ 543,807.

F Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

G Enter the number of shareholders in the corporation at the end of the tax year. 1

H Check if Schedule M-3 is required (attach Schedule M-3) ☐**Caution. Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.**

INCOME	1a Gross receipts or sales	b Less returns and allowances	c Bal	1c
	2 Cost of goods sold (Schedule A, line 8)			2
	3 Gross profit. Subtract line 2 from line 1c			3
	4 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			4
	5 Other income (loss) (attach statement)			5
	6 Total income (loss). Add lines 3 through 5			6
DEDUCTIONS	7 Compensation of officers			7
	8 Salaries and wages (less employment credits)			8
	9 Repairs and maintenance			9
	10 Bad debts			10
	11 Rents			11
	12 Taxes and licenses			12
	13 Interest			13
	14 Depreciation not claimed on Schedule A or elsewhere on return (attach Form 4562)			14
	15 Depletion (Do not deduct oil and gas depletion)			15
	16 Advertising			16
	17 Pension, profit-sharing, etc. plans			17
	18 Employee benefit programs			18
	19 Other deductions (attach statement)			19
	20 Total deductions. Add lines 7 through 19			20
	21 Ordinary business income (loss). Subtract line 20 from line 6			21
TAX AND PAYMENTS	22a Excess net passive income or LIFO recapture tax (see instructions)	22a		22c
	b Tax from Schedule D (Form 1120S)	22b		
	c Add lines 22a and 22b (see instructions for additional taxes)			22c
	23a 2006 estimated tax payments and 2005 overpayment credited to 2006	23a		
	b Tax deposited with Form 7004	23b		
	c Credit for federal tax paid on fuels (attach Form 4136)	23c		
	d Credit for federal telephone excise tax paid (attach Form 8913)	23d		
	e Add lines 23a through 23d			23e
	24 Estimated tax penalty (see instructions). Check if Form 2220 is attached			24
	25 Amount owed. If line 23e is smaller than the total of lines 22c and 24, enter amount owed			25 0.
26 Overpayment. If line 23e is larger than the total of lines 22c and 24, enter amount overpaid			26	
27 Enter amount from line 26 Credited to 2007 estimated tax		Refunded	27	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer [Signature] Date 10/15/07 Title TPV

May the IRS discuss this return with the preparer shown below (see instructions)?

☒ Yes ☐ NoPaid Preparer's
se OnlyPreparer's
signatureJon A. Keuning

Date

10/15/07Check if self-
employed ☐

Preparer's SSN or PTIN

[Redacted]Firm's name
(or yours if
self-employed),
address, and
ZIP code

Keuning & Associates PC
112 E 3rd St
West Liberty, IA 52776

EIN

Phone no. (319) 627-4727

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

SPSA0105L 01/05/07

Form 1120S (2006)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year.....	1	
2	Purchases.....	2	
3	Cost of labor.....	3	
4	Additional section 263A costs (attach statement).....	4	
5	Other costs (attach statement).....	5	
6	Total. Add lines 1 through 5.....	6	
7	Inventory at end of year.....	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2.....	8	

9a Check all methods used for valuing closing inventory:

- (i) ☐ Cost as described in Regulations section 1.471-3
(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
(iii) ☐ Other (Specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c). ☐ Yes ☐ Noc Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐ Yes ☐ Nod If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO. **9d** ☐ Yes ☐ Noe If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ Nof Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If 'Yes,' attach explanation. ☐ Yes ☐ No**Schedule B Other Information** (see instructions)

	Yes	No
1 Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) _____		
2 See the instructions and enter the: a Business activity <u>Leasing</u> b Product or service <u>Residential RE</u>		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?.....		X
4 Was the corporation a member of a controlled group subject to the provisions of section 1561?.....		X
5 Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?.....		X
6 Check this box if the corporation issued publicly offered debt instruments with original issue discount. If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments. <input type="checkbox"/>		
7 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years. <u>\$</u> _____		
8 Enter the accumulated earnings and profits of the corporation at the end of the tax year. <u>\$</u> _____		
9 Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If 'Yes,' the corporation is not required to complete Schedules L and M-1.....		X

Note: If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Schedule K Shareholders' Pro Rata Share Items

	Total amount
1 Ordinary business income (loss) (page 1, line 21).....	1
2 Net rental real estate income (loss) (attach Form 8825).....	2 -9,542.
3a Other gross rental income (loss)..... 3a	
b Expenses from other rental activities (attach statement)..... 3b	
c Other net rental income (loss). Subtract line 3b from line 3a..... 3c	
4 Interest income.....	4 218.
5 Dividends: a Ordinary dividends..... 5a	
b Qualified dividends..... 5b	
6 Royalties.....	6
7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S)).....	7
8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S))..... 8a	
b Collectibles (28%) gain (loss)..... 8b	
c Unrecaptured section 1250 gain (attach statement)..... 8c	
9 Net section 1231 gain (loss) (attach Form 4797).....	9
10 Other income (loss) (see instructions).....	10

Shareholders' Pro Rata Share Items (continued)		Total amount	
Deductions	11 Section 179 deduction (attach Form 4562)	11	
	12a Contributions	12a	
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures (1) Type ▶ (2) Amount. ▶	12c (2)	
	d Other deductions (see instructions) .. Type ▶	12d	
Credits	13a Low-income housing credit (section 42(j)(5))	13a	
	b Low-income housing credit (other)	13b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	13c	
	d Other rental real estate credits (see instrs) Type ▶	13d	
	e Other rental credits (see instrs) Type ▶	13e	
	f Credit for alcohol used as fuel (attach Form 6478)	13f	
	g Other credits (see instructions) .. Type ▶	13g	
Foreign Transactions	14a Name of country or U.S. possession		
	b Gross income from all sources	14b	
	c Gross income sourced at shareholder level	14c	
	<i>Foreign gross income sourced at corporate level</i>		
	d Passive	14d	
	e Listed categories (attach statement)	14e	
	f General limitation	14f	
	<i>Deductions allocated and apportioned at shareholder level</i>		
	g Interest expense	14g	
	h Other	14h	
	<i>Deductions allocated and apportioned at corporate level to foreign source income</i>		
	i Passive	14i	
	j Listed categories (attach statement)	14j	
	k General limitation	14k	
<i>Other information</i>			
l Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	14l		
m Reduction in taxes available for credit (attach statement)	14m		
n Other foreign tax information (attach statement)			
Alternative Minimum Tax (AMT) Items	15a Post-1986 depreciation adjustment	15a	2,631.
	b Adjusted gain or loss	15b	
	c Depletion (other than oil and gas)	15c	
	d Oil, gas, and geothermal properties — gross income	15d	
	e Oil, gas, and geothermal properties — deductions	15e	
	f Other AMT items (attach statement)	15f	
Items Affecting Shareholder Basis	16a Tax-exempt interest income	16a	
	b Other tax-exempt income	16b	
	c Nondeductible expenses	16c	
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	218.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	d Other items and amounts (attach statement)		
Reconciliation	18 Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and lines 14l ..	18	-9,324.

BAA

Form 1120S (2006)

Schedule L: Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash				14,265.
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach stmt)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets			552,139.	
b	Less accumulated depreciation			70,597.	481,542.
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				48,000.
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (attach stmt)				
15	Total assets		0.		543,807.
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach stmt)				
19	Loans from shareholders				146,492.
20	Mortgages, notes, bonds payable in 1 year or more				417,587.
21	Other liabilities (attach statement)				
22	Capital stock				500.
23	Additional paid-in capital				
24	Retained earnings		-11,448.		-20,772.
25	Adjustments to shareholders' equity (attach stmt)				
26	Less cost of treasury stock				
27	Total liabilities and shareholders' equity		-11,448.		543,807.

Schedule M-1: Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more — see instructions

1	Net income (loss) per books	-9,324.	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a	Tax-exempt interest \$	
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14l (itemize):		6	Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize):	
a	Depreciation \$		a	Depreciation \$	
b	Travel and entertainment \$		7	Add lines 5 and 6	0.
4	Add lines 1 through 3	-9,324.	8	Income (loss) (Schedule K, ln 18). Ln 4 less ln 7...	-9,324.

Schedule M-2: Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year	-11,448.	
2	Ordinary income from page 1, line 21		
3	Other additions See Statement 1	218.	
4	Loss from page 1, line 21		
5	Other reductions See Statement 2	(9,542.)	
6	Combine lines 1 through 5	-20,772.	
7	Distributions other than dividend distributions		
8	Balance at end of tax year. Subtract line 7 from line 6	-20,772.	

**Rental Real Estate Income and Expenses of a
Partnership or an S Corporation**

OMB No. 1545-1186

▶ See instructions.

▶ Attach to Form 1065, Form 1065-B, or Form 1120S.

Name **R & R Apartments Inc** Employer identification number**1** Show the kind and location of each property. See page 2 to list additional properties.**A** Rental Units
Muscatine & Louisa Counties, Iowa**B** _____**C** _____**D** _____

Rental Real Estate Income		Properties			
		A	B	C	D
2 Gross rents	2	97,004.			
Rental Real Estate Expenses					
3 Advertising	3	247.			
4 Auto and travel	4	3,778.			
5 Cleaning and maintenance	5	5,772.			
6 Commissions	6				
7 Insurance	7	3,076.			
8 Legal and other professional fees	8	256.			
9 Interest	9	22,030.			
10 Repairs	10	20,987.			
11 Taxes	11	11,150.			
12 Utilities	12	5,930.			
13 Wages and salaries	13				
14 Depreciation (see instructions)	14	31,515.			
15 Other (list) ▶					
<u>Bank Charges</u>	15	116.			
<u>Miscellaneous</u>		584.			
<u>Supplies</u>		1,105.			
16 Total expenses for each property. Add lines 3 through 15	16	106,546.			
17 Total gross rents. Add gross rents from line 2, columns A through H	17				97,004.
18 Total expenses. Add total expenses from line 16, columns A through H	18				-106,546.
19 Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities	19				
20 a Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1)	20 a				
b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed:					
(1) Name		(2) Employer identification number			
_____		_____			
_____		_____			
_____		_____			
21 Net rental real estate income (loss). Combine lines 17 through 20a. Enter the result here and on:	21				-9,542.
<ul style="list-style-type: none"> • Form 1065 or 1120S: Schedule K, line 2, or • Form 1065-B: Part I, line 4 					

BAA For Paperwork Reduction Act Notice, see the separate instructions.

Form 8825 (12-2006)

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2006

For calendar year 2006, or tax

year beginning _____, 2006

ending _____

☐ Final K-1

☐ Amended K-1

671106

OMB No. 1545-0130

Shareholder's Share of Income, Deductions, Credits, etc. ▶ See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number _____

B Corporation's name, address, city, state, and ZIP code

R & R Apartments Inc
2141 Highway 6
Atalissa, IA 52720

C IRS Center where corporation filed return

Ogden, UT

D ☐ Tax shelter registration number, if any _____

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number _____

G Shareholder's name, address, city, state, and ZIP code

Michael Smock
2141 Highway 6
Atalissa, IA 52720

H Shareholder's percentage of stock ownership for tax year..... 100 %

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	13	Credits
2	Net rental real estate income (loss)		
*	-9,542.		
3	Other net rental income (loss)		
4	Interest income		
	218.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
		A	2,631.
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
		17	Other information
		A	218.

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	Report on
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	See the Shareholder's Instructions
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	See the Shareholder's Instructions
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	See the Shareholder's Instructions
	A Cash contributions (50%)	
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Investment interest expense	Form 4952, line 1
	H Deductions — royalty income	Schedule E, line 18
	I Section 59(e)(2) expenditures	See the Shareholder's Instructions
	J Deductions — portfolio (2% floor)	Schedule A, line 22
	K Deductions — portfolio (other)	Schedule A, line 27
	L Preproductive period expenses	See the Shareholder's Instructions
	M Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	N Reforestation expense deduction	See the Shareholder's Instructions
	O Domestic production activities information	See Form 8903 Instructions
	P Qualified production activities income	Form 8903, line 7
	Q Employer's W-2 wages	Form 8903, line 13
	R Other deductions	See the Shareholder's Instructions
13	Credits	See the Shareholder's Instructions
	A Low-income housing credit (section 42(j)(5))	
	B Low-income housing credit (other)	
	C Qualified rehabilitation expenditures (rental real estate)	
	D Other rental real estate credits	
	E Other rental credits	
	F Undistributed capital gains credit	Form 1040, line 70, check box a
	G Credit for alcohol used as fuel	
	H Work opportunity credit	
	I Welfare-to-work credit	
	J Disabled access credit	
	K Empowerment zone and renewal community employment credit	Form 8844, line 3

Code	Report on
L Credit for increasing research activities	See the Shareholder's Instructions
M New markets credit	
N Credit for employer social security and Medicare taxes	
O Backup withholding	Form 1040, line 64
P Other credits	See the Shareholder's Instructions
14 Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at shareholder level	
Foreign gross income sourced at corporate level	
D Passive	Form 1116, Part I
E Listed categories	
F General limitation	
Deductions allocated and apportioned at shareholder level	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
Deductions allocated and apportioned at corporate level to foreign source income	
I Passive	Form 1116, Part I
J Listed categories	
K General limitation	
Other information	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Shareholder's Instructions
15 Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal — gross income	
E Oil, gas, & geothermal — deductions	
F Other AMT items	
16 Items affecting shareholder basis	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Shareholder's Instructions
C Nondeductible expenses	
D Property distributions	
E Repayment of loans from shareholders	
17 Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
D Basis of energy property	See the Shareholder's Instructions
E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
F Recapture of low-income housing credit (other)	Form 8611, line 8
G Recapture of investment credit	See Form 4255
H Recapture of other credits	See the Shareholder's Instructions
I Look-back interest — completed long-term contracts	See Form 8697
J Look-back interest — income forecast method	See Form 8866
K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
L Recapture of section 179 deduction	
M Section 453(l)(3) information	
N Section 453A(c) information	
O Section 1260(b) information	
P Interest allocable to production expenditures	
Q CCF nonqualified withdrawals	
R Information needed to figure depletion — oil and gas	
S Amortization of reforestation costs	
T Other information	

Box 2

Net Rental Real Estate Income (loss)

<u>Property Description</u>	<u>Gross Income</u>	<u>Net Expenses</u>	<u>Net Income</u>	<u>Passive Nonpass</u>	<u>Sec. 1231 Total</u>
Rental Units	97,004.	106,546.	\$ -9,542.	NonPass	
		Total	<u>\$ -9,542.</u>		

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No. 1545-0172

2006

Attachment
Sequence No. 67

Name(s) shown on return

Identifying number

J & R Apartments Inc

Business or activity to which this form relates

Rental Real Estate Activity (Form 8825) - Rental Units

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	\$108,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	\$430,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost	
7	Listed property. Enter the amount from line 29	7		
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8		
9	Tentative deduction. Enter the smaller of line 5 or line 8	9		
10	Carryover of disallowed deduction from line 13 of your 2005 Form 4562	10		
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11		
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12		
13	Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12	13		

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2006	17	25,685.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B - Assets Placed in Service During 2006 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property		11,075.	5	HY	200DB	2,215.
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property	3/03/06	42,558.	27.5 yrs	MM	S/L	1,225.
i Nonresidential real property	Various	137,310.	27.5 yrs	MM	S/L	2,390.
			39 yrs	MM	S/L	

Section C - Assets Placed in Service During 2006 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions	22	31,515.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

R & R Apartments Inc

Statement 1
Form 1120S, Schedule M-2, Column A, Line 3
Other Additions

Interest Income.....	\$	218.
Total	\$	<u>218.</u>

Statement 2
Form 1120S, Schedule M-2, Column A, Line 5
Other Reductions

Net Rental Real Estate Loss.....	\$	9,542.
Total	\$	<u>9,542.</u>



Iowa Income Tax Return for an S Corporation

From 1/01/06 to 12/31/06

Check the box if this is ☐ (1) Name/Address Change ☐ (2) A Short Period

Corporation Name and Address

R & R Apartments Inc
2141 Highway 6
Atalissa, IA 52720

Box A Federal TIN: _____	Box B Business Code: 233110
Box C County Number: 70	
Is this a first or final return? If yes, check the appropriate box.	
First Return <input checked="" type="checkbox"/> New Business	Successor <input type="checkbox"/> Entering Iowa
Final Return <input type="checkbox"/> Reorganized	Merged <input type="checkbox"/> Dissolved
<input type="checkbox"/> Withdrawn	Bankruptcy <input type="checkbox"/> Others

Name of contact person: _____

Phone Number: _____

Extension: _____

Type of Return: ☒ 1 S Corporation ☐ 2 IC Domestic International Sales Corporation ☐ 3 Foreign Sales Corporation

Is this an inactive corporation? ☐ Yes ☒ No

Was Federal income or tax changed for any prior period(s)? ☐ Yes ☒ No Periods _____

Is the corporation's business carried on entirely within Iowa? ☒ Yes ☐ No

Date of S corporation election: 9/01/2005

SCHEDULE S

USE WHOLE DOLLARS

1 Net Income per Federal Schedule K (see instructions)	1	-9,324.
2 Interest and dividends exempt from Federal income tax (see instructions)....	2	
3 Other additions (attach schedule).....	3	
4 Total additions (add lines 2 and 3).....	4	
5 50% of Federal income tax.....	5	
6 Interest and dividends from Federal securities (see instructions).....	6	
7 Other reductions (attach schedule).....	7	
8 Total reductions (add lines 5, 6 and 7).....	8	
9 Net modifications (line 4 less line 8).....	9	
10 Modified Federal net income (line 1 plus line 9).....	10	-9,324. ▲

SCHEDULE K

(1) Name and Address of Shareholder	(2) Resident/ Nonresident	(3) Social Security Number or Federal ID Number	(4) % Interest	(5) Share of Modifications	(6) All-Source Income	(7) Apportioned Income
A Michael Smock 2141 Highway 6 Atalissa, IA 52720 ▲	R		100.0 %		-9,324.	-9,324. ▲
B			%			▲
C			%			▲
D			%			▲
Check if addnl shareholders, complete sch 41-034 from our Web site, and attach . TOTALS			100 %		-9,324.	-9,324.

11 Tax on built-in gains or passive investment income (see instructions)..... 11

Make check payable to Treasurer — State of Iowa

Information from Prior Period Iowa Return: Corporation Name Same

Net Income/(Loss) \$ -11,448. Federal TIN: Same

A complete copy of your Federal Return, as filed with the Internal Revenue Service, MUST be filed with this return.

Under penalties of perjury, I declare that I have examined this return and any attached schedules/statements, and, to the best of my knowledge, believe it to be true, correct and complete. If prepared by a person other than the taxpayer, the declaration is based on all information of which there is any knowledge.

Officer's Signature

Date

Title

Preparer's Signature

Date

10/11/07

Preparer's Address

Keuning & Associates PC

Preparer's ID No.

112 E 3rd St, West Liberty, IA 52776

Mail to: Corporate Tax Return Processing, Iowa Department of Revenue, P.O. Box 10468, Des Moines IA 50306-0468

Corporation Name

R & R Apartments Inc

Federal Identification Number

Shareholder Name

Michael Smock

Social Security Number

Shareholder's percentage of stock ownership for tax year. 100 %

(a) Shareholder's pro rata share of items			(b) Amount
	1 Net income before state adjustments (from Federal K-1)	1	-9,324.
Additions	2 Interest and dividends exempt from federal income tax.	2	
	3 Other additions	3	
	4 Total additions to net income	4	
Reductions	5 50% of federal income tax.	5	
	6 Interest and dividends from federal securities.	6	
	7 Other reductions.	7	
	8 Total reductions to net income	8	
Other	9 Net modifications	9	
	10 Modified federal net income	10	-9,324.
Credits	11 Research activities credit.	11	
	12 New jobs credit.	12	
	13 Seed capital credit.	13	
	14 Motor vehicle fuel tax credit	14	
	15 Investment Tax Credit	15	

16 Supplemental information

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. CITY OF MUSCATINE 215 SYCAMORE STREET MUSCATINE, IA 52761 563-264-1550		1 Rents \$ 1991.67	OMB No. 1545-0115 2006 Form 1099-MISC		Miscellaneous Income
		2 Royalties \$			
		3 Other income \$	4 Federal income tax withheld \$	Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds \$	6 Medical and health care payments \$		
RECIPIENT'S name, street address (including apt. no.), city, state, and ZIP code R AND R APARTMENTS 2141 HIGHWAY #6 ATALISSA, IA 52720		7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$		
		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$		
		11	12		
Account number (see instructions) 701000		13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$		
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$	

Form 1099-MISC

(keep for your records)

Department of the Treasury - Internal Revenue Service

☒ CORRECTED (If checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115	Miscellaneous Income
CITY OF MUSCATINE		\$ 975.00	2006	
215 SYCAMORE STREET MUSCATINE, IA 52761 563-264-1550		2 Royalties	Form 1099-MISC	
PAYER'S federal identification number	RECIPIENT'S identification number	3 Other income	4 Federal income tax withheld	Copy B For Recipient
		\$	\$	
		5 Fishing boat proceeds	6 Medical and health care payments	
RECIPIENT'S name, street address (including apt. no.), city, state, and ZIP code		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
MICHAEL SMOCK		\$	\$	
2141 HWY #6		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds	
ATALISSA, IA 52720		11	12	
Account number (see instructions)		13 Excess golden parachute payments	14 Gross proceeds paid to an attorney	
700339		\$	\$	
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	17 State/Payer's state no.	18 State income
\$	\$	\$		\$

Form 1099-MISC

(keep for your records)

Department of the Treasury - Internal Revenue Service

0004428R

PAYER'S name, street address, city, state, ZIP code, and telephone no.

R.I.A. FEDERAL CREDIT UNION
P.O. BOX 4750
ROCK ISLAND IL 61204

(563)355-3800

PAYER'S Federal identification number

RECIPIENT'S identification number

RECIPIENT'S name, street address, city, state and ZIP code

R AND R APARTMENTS
2141 HWY 6
ATALISSA IA 52720



OMB No. 1545-0112

2006

Form 1099-INT

Interest Income

ACCT#

1 Interest income not included in box 3

\$ 179.28

2 Early withdrawal penalty

\$ 0.00

3 Interest on U.S. Savings Bonds and Treas. obligations

\$ 0.00

4 Federal income tax withheld

\$ 0.00

6 Foreign tax paid

\$ 0.00

Copy B
For Recipient

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

5 Investment expenses

\$ 0.00

7 Foreign country or U.S. possession

Form 1099-INT

(Keep for your records.)

Department of Treasury - Internal Revenue Service

Instructions for Recipient

Account number. May show an account or other unique number the payer assigned to distinguish your account.

Box 1. Shows taxable interest paid to you during the calendar year by the payer. This does not include interest shown in box 3. May also show the total amount of the credits from clean renewable energy bonds and other bonds that must be included in your interest income. These amounts were treated as paid to you during 2006 on the credit allowance dates (March 15, June 15, September 15, and December 15). For more information see form 8912, Clean Renewable Energy Bond and Gulf Bond Credit.

Box 2. Shows interest or principal forfeited because of early withdrawal of time savings. You may deduct this amount to figure your adjusted gross income on your income tax return. See the instructions for Form 1040 to see where to take the deduction.

Box 3. Shows interest on U.S. Savings Bonds, Treasury bills, Treasury bonds, and Treasury notes. This may or may not be all taxable. See Pub. 550, Investment Income and Expenses. This interest is exempt from state and local income taxes. This interest is not included in box 1.

Box 4. Shows backup withholding. Generally, a payer must backup withhold at a 28% rate if you did not furnish your taxpayer identification number (TIN) or you did not furnish the correct TIN to the payer. See Form W-9, Request for Taxpayer Identification Number and Certification, for information on backup withholding. Include this amount on your income tax return as tax withheld.

Box 5. Any amount shown is your share of investment expenses of a single-class REMIC. If you file Form 1040, you may deduct these expenses on the "Other Expenses" line of Schedule A (Form 1040) subject to the 2% limit. This amount is included in box 1.

Box 6. Shows foreign tax paid. You may be able to claim this tax as a deduction or a credit on your Form 1040. See your Form 1040 instructions.

Box 8. Shows tax-exempt interest, including exempt interest dividends from a mutual fund or other regulated investment company, paid to you during the calendar year by the payer. Report this amount on line 8b of Form 1040 or Form 1040A. This amount may be subject to backup withholding. See box 4.

Box 9. Shows tax-exempt interest subject to the alternative minimum tax. This amount is included in box 8. See the instructions for Form 6251, Alternative Minimum Tax - Individuals.

Nominees. If this form includes amounts belonging to another person(s), you are considered a nominee recipient. Complete a Form 1099-INT for each of the other owners showing the income allocable to each. File Copy A of the form with the IRS. Furnish Copy B to each owner. List yourself as the "payer" and the other owner(s) as the "recipient." File Form(s) 1099-INT with Form 1096, Annual Summary and Transmittal of U.S. Information Returns, with the Internal Revenue Service Center for your area. On Form 1096 list yourself as the "filer." A husband or wife is not required to file a nominee return to show amounts owned by the other.

FIRST NATIONAL BANK MUSCATINE
300 E. 2ND STREET
MUSCATINE IA 52761

661L00001401-1

Tax Statement for Forms 1098, 1099, 5498 for Tax Year 2006

1098 - Copy B - For Payer - OIG # 1545-0901
1098 - E - Copy B - For Borrower - OIG # 1545-1876
1099 - A - Copy B - For Borrower - OIG # 1545-0277
1099 - B - Copy B - For Recipient - OIG # 1545-0715
1099 - C - Copy B - For Debtor - OIG # 1545-1424
1099 - Q - Copy B - For Recipient - OIG # 1545-1763
1099 - DIV - Copy B - For Recipient - OIG # 1545-0110
1099 - INT - Copy B - For Recipient - OIG # 1545-0112
1099 - MISC - Copy B - For Recipient - OIG # 1545-0118
1099 - OID - Copy B - For Recipient - OIG # 1545-0117
1099 - S - Copy B - For Recipient - OIG # 1545-0897
1099 - SA - Copy B - For Recipient - OIG # 1545-1877
5498 - Copy B - For Participant - OIG # 1545-0747

DEPARTMENT OF THE TREASURY - INTERNAL REVENUE SERVICE.
(keep for your records)

"For Form 1099-B, DIV, INT, MISC, OID, and Q: This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported."

MICHAEL L SMOCK
2141 HWY 6
ATALISSA IA 52720-9764

Recipient's Federal ID# 42-0429070
Questions? (563) 263-4221 MARY LORENTZEN

TAXPAYER ID#
[REDACTED]

PAGE 1 OF 1

2006 FORM 1098: MORTGAGE INTEREST STATEMENT

Account Number	IRS Description	IRS Box#	Amount
[REDACTED]	Mortgage interest received from payer(s)/borrower(s) *	1	10,871.96
[REDACTED]	Mortgage interest received from payer(s)/borrower(s) *	1	4,493.33
TOTALS:			
	Mortgage interest received from payer(s)/borrower(s) *	1	15,365.29
	Points paid on purchase of principal residence (see instructions)	2	0.00
	Refund of overpaid interest (see instructions)	3	0.00

*Form 1099 OID: This may not be the correct figure to report on your income tax return. See instructions on the back.

Form 1098 - Caution: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.

Form 1098 - The information in boxes 1, 2, and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.

Form 1098-E - This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for student loan interest.

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